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**DIRECTORATE OF
INTELLIGENCE**

Intelligence Memorandum

*Afghanistan: Some Economic Consequences
Of The Prolonged Drought*

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October 1971

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
October 1971

INTELLIGENCE MEMORANDUM

AFGHANISTAN: SOME ECONOMIC CONSEQUENCES OF THE PROLONGED DROUGHT

Introduction

1. Two consecutive droughts have sharply reduced Afghanistan's foodgrain production and jeopardized its important livestock industry. Even under normal conditions, the semi-arid climate with its limited rainfall requires extensive irrigation for crop cultivation. As a result, the country has one of the highest ratios of irrigated to cultivated acreage in the world. But wells have gone dry as the water table has dropped, and pasturage has declined drastically. This memorandum reviews the developing crisis and the actions taken by the government, and assesses the nature and adequacy of foreign assistance rendered thus far.

Discussion

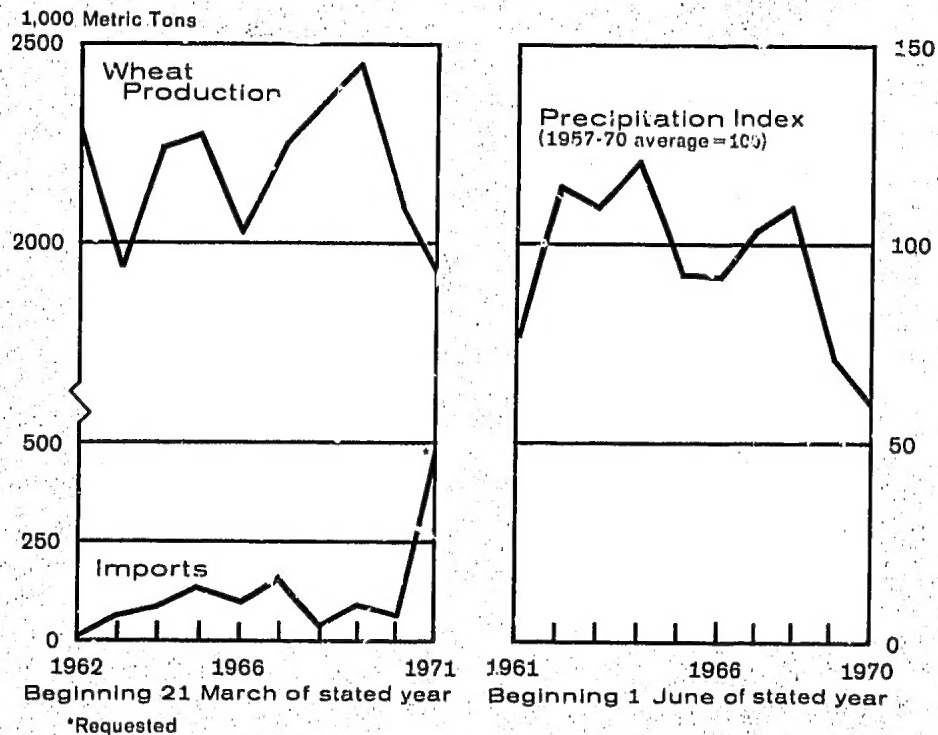
The Drought Develops

2. Inadequate rainfall and abnormally high temperatures during the past two growing seasons have created unprecedented drought conditions throughout Afghanistan. Precipitation was 30% below normal in 1969/70⁽¹⁾ and 40% below normal in 1970/71 (see the chart). Annual precipitation is usually only 5 to 15 inches in Afghanistan's semi-arid climate. By the summer of 1971, rivers were almost dry, water tables had dropped sharply (reducing the effectiveness of underground irrigation wells), and the Kajeki reservoir on the Helmand River – a key facility in the \$180 million Helmand Valley project to reclaim desert lands – was almost empty.

1. Precipitation is reported for 1 June to 31 May.

Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.

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3. The 1971 wheat harvest, essentially completed in September, was reportedly the lowest on record. Kabul estimates production at 1.9 million metric tons compared with 2.1 million tons in 1970 and 2.5 million tons for the bumper crop in 1969. In the northern and western regions, where dry farming is prevalent, crops were particularly hard hit. Barley and corn production reportedly sustained declines similar to those for wheat, but rice was not as seriously affected because it is cultivated on irrigated land.

4. Afghanistan is not normally self-sufficient in foodgrains, and the recent drought has increased import requirements substantially. Kabul has estimated that available supplies will fall short of requirements by 538,000 tons, and it is requesting 500,000 tons of foodgrains on concessionary terms from potential donors. The US Embassy in Kabul projects a deficit closer

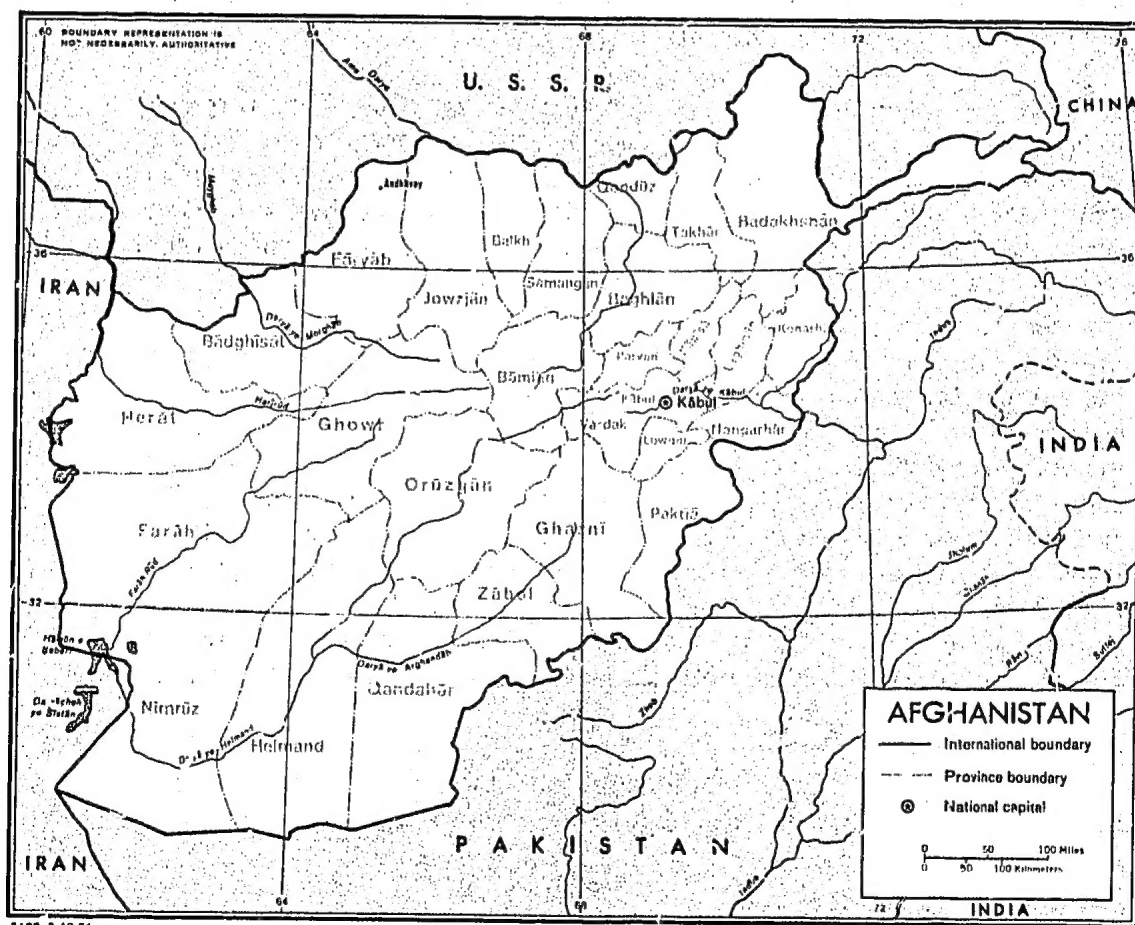
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to 400,000 tons. Whatever the actual deficit, it is still well above previous shortfalls. Wheat imports averaged less than 100,000 tons annually during the 1960s, with a peak of 154,000 tons in 1967.

5. The drought has jeopardized the nation's livestock. Available pasturage has already been reduced and slaughter rates are unusually high, but the critical period will be during October-November, when flocks are forced by winter weather to return from summer pasturages in the mountains. They will find meager pasturage on the plains, however, and fodder supplies are reportedly insufficient even for the next few months. Kabul estimates that 15 million of its 22 million sheep are in jeopardy, including about 6 million karakul, a major source of Afghanistan's foreign exchange earnings.

6. Fodder import requirements for the next six months are estimated by Kabul at a minimum of 650,000 tons. The shortage is most critical in Ghazni and Badghisat Provinces and the Andkhvoy district of Faryab Province (see the map). By July the number of sheep being slaughtered

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in Kabul was 20%-30% above normal, and the rate was even higher in forage-short areas.

The Government Acts

7. Since July, when a new government was formed, Kabul has moved rapidly and forcefully to resolve the current crisis. The previous government had been both ineffective and vacillating in facing the problems of drought and rising prices. The new government led by Dr. Abdul Zahir acted quickly to alleviate the most immediate problems of food and fodder shortages and to reduce the expected impact on the balance of payments from an inevitable drop in exports. Appeals were made to the international community for emergency food relief and a special mission headed by the Foreign Minister will visit the major potential donors this fall. The importing of chemical fertilizer was opened up to the private sector and transport mobilized for distribution of food stocks. Water pump production was ordered expanded and drilling rigs for deep-water wells were detailed exclusively to the most critically water-short areas. By mid-September, the government was distributing subsidized food in Kabul and some other urban and remote areas, and a food-for-work program was under way to promote public works projects in rural areas.

8. The government also has appealed internationally for emergency fodder supplies and other assistance to save the country's sheep. Exports of cotton seed cakes and other fodder were banned and the available supplies distributed to areas in greatest need. The Soviet Union and Iran were asked to allow Afghan sheep to graze in adjacent border areas, and special legislation was passed to permit livestock exports.

9. Afghanistan has also asked its major creditors -- the Soviet Union, the United States, and West Germany -- for a debt moratorium until at least March 1972 and a subsequent debt rescheduling. Most of Afghanistan's exports are agricultural commodities -- fruits, cotton, karakul, wool, and casings -- and all have been adversely affected by the drought. The anticipated decline in export earnings will make it increasingly difficult for Kabul to maintain import levels while at the same time servicing its growing debt. Kabul has had a trade deficit throughout the 1960s, which it has financed mainly by official loans and grants. By FY 1971,⁽²⁾ debt service payments had risen to \$24 million, about one-third of expected export earnings.

10. Shortfalls in wheat production and the danger to livestock are more pressing concerns for Kabul than the balance-of-payments position.

2. *The fiscal year (FY) begins on 21 March of the stated year.*

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Although Kabul will be pressed by heavy debt repayment obligations, a sharp deterioration in the balance of payments is unlikely until next fiscal year. Increased livestock slaughter rates should enable Afghanistan to meet its export commitments for the remainder of this year, and sales of karakul are expected to be up nearly 15% in FY 1971 compared with FY 1970. Moreover, natural gas exports also are on the rise.

Help on the Way

11. The international community's response to pleas for foodgrains has not yet been adequate to cover the expected deficit, and government stocks are now at a minimum of some 50,000 tons. By early October, only about 200,000 tons of foodgrains were on the way, including a US pledge of 100,000 tons in addition to the 50,000 tons the United States had promised earlier. The remainder was pledged mainly by the European Community, Communist China, and Pakistan. The US Embassy in Kabul has recommended that the United States grant Afghanistan an additional 150,000 tons, leaving an estimated deficit of only 50,000 tons to be filled by other donors -- possibly the USSR. Several governments have promised cash grants as emergency aid, totaling about \$1 million.

12. International response to Afghanistan's livestock crisis has been negligible, and Kabul has mobilized its own resources to meet fodder needs. The USSR promised 20,000 tons, and Pakistan and India have indicated that they might supply nominal amounts. This falls far short of Kabul's requested 650,000 tons. Neighboring Iran, Pakistan, and the Soviet Union have experienced drought conditions in areas contiguous to Afghanistan, so that the grazing of Afghani sheep in neighboring countries is not feasible. Sheep exports -- live or slaughtered -- may ease the fodder shortage somewhat. In early October, export negotiations were under way with both Iran and Lebanon, but no contracts have yet been signed.

13. Moscow -- Afghanistan's principal creditor -- has not yet responded to Kabul's request for a debt moratorium. The World Bank reportedly has agreed to chair a meeting of Western creditors, but the latter are not likely to make commitments without at least an informal indication of Soviet intentions.

14. Afghanistan's debt problems stem primarily from heavy flows of foreign assistance from the Soviet Union. Three-fifths of the total \$1.2 billion in economic assistance extended to Afghanistan since 1949 has come from the Soviet Union, with the remainder mainly from the United States and West Germany. About 80% of Soviet aid has been in the form of loans, and more than three-fourths of these loans were disbursed by the end of 1970. The heavy drawings of Soviet aid have sharply increased Afghanistan's debt service payments in recent years. In FY 1970, about 75% of its \$22

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million debt payments went to the Soviet Union. By FY 1976, in the absence of rescheduling, Kabul's debt obligations are expected to approach \$37 million annually.

Prospects

15. Afghanistan is not yet assured of sufficient foreign assistance to offset the anticipated economic consequences of the two-year drought. Foodgrain stocks and imports currently on the way are expected to cover requirements only until the end of the year. Fodder is being trucked from surplus to needy areas but stocks are low. The threat to export earnings, however, will not materialize for at least several months, because of rising natural gas exports and large inventories of karakul and other related products.

16. Humanitarian aid responses will probably assure that serious food shortages do not materialize. With normal precipitation this winter and in the spring, the next harvest should be larger but not necessarily up to pre-drought levels because of the low water tables. Heavy winter snows would brighten crop prospects but would further jeopardize the livestock. In any event, export earnings are almost certain to decline next year, and Kabul will need some debt relief to avoid drawdowns of its foreign exchange reserves -- currently about \$40 million, the equivalent of three months' imports.

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